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## **Award Term**

***Hot Topics in Contracting & Acquisition***  
**NCMA - Dayton Chapter**  
**25 May 00**

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# Award Term

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**The Reward for Doing a Good Job  
in Private Industry is Continuing  
the Business Relationship...**

**...Why Can't the  
Government Do the  
Same?**



# Outline

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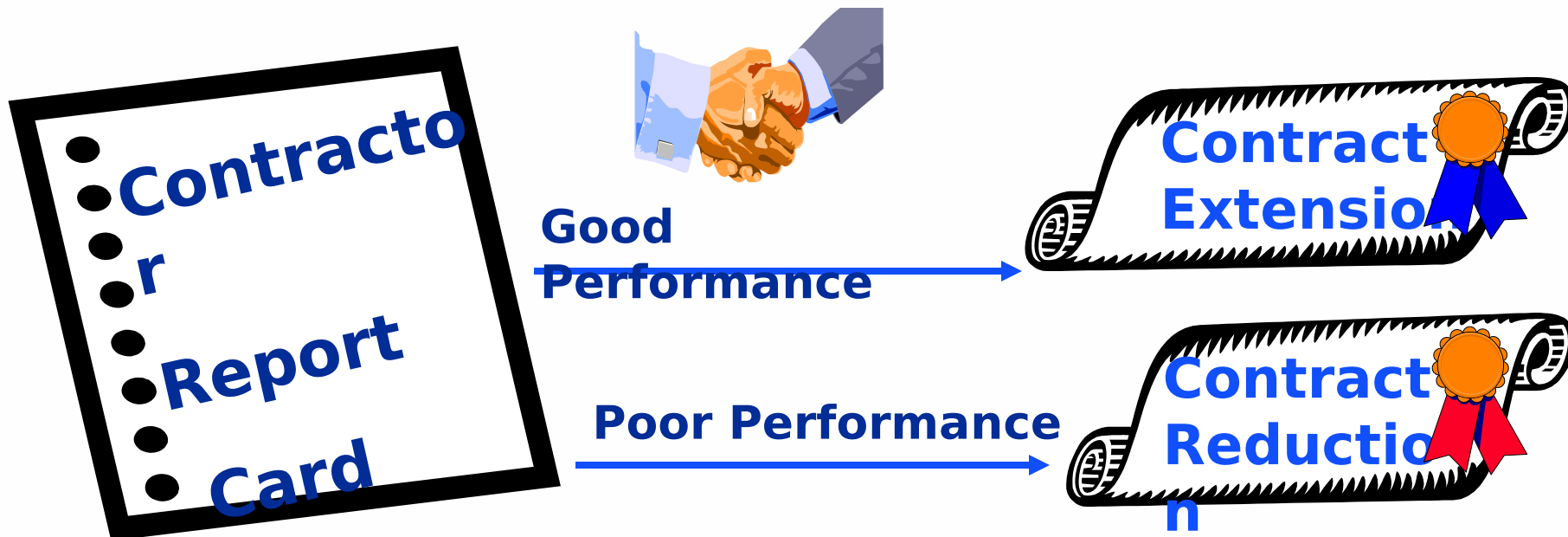


- **Award Term Definition**
- **Benefits**
- **Applications & Limitations**
- **Examples**
- **Challenges**
- **Draft AFFARS Language**
- **Summary**



# Definition of Award Term

**Derivative concept of award fee contracts where the contractor, instead of earning fee for performance as in award fee contracts, earns additional periods of performance without having to compete for the award. Award term provisions provide a method of fostering long-term relationships and rewarding good performance.**





# Benefits

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- **Maintain Long-Term Relationship with Quality Contractors**
- **Facilitates Process Improvements and/or Capital Investments Which May Result in Lower Future Prices**
- **Contract Term Extension or Reduction Based on Contractor Performance**
- **Value Exceeds Administrative Effort**



# Applications & Limitations

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- **Applications**
  - **Single Award IDIQ & Requirements, Task Order Type Contracts**
  - **Competitive Acquisitions**
- **Limitations**
  - **Service Contract Act**



# Examples

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- **San Antonio Air Logistics Center (ALC)**
  - **Propulsion Business Area Privatization Contract**
- **Sacramento ALC**
  - **Depot Maintenance Workload Contract**
- **Aeronautical Systems Center (ASC)**
  - **3 Mission Training Center Contracts**
    - » **AWACS**
    - » **F-15**
    - » **F-16**
- **HQ Air Intelligence Agency**
  - **Mobile Sensor Platforms Contract**



# San Antonio ALC

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## Propulsion Business Area Privatization Contract

- **Firm-Fixed Price, Requirements**
- **Total Contract Value: \$10.164B**
- **Contract Term 5 to 15 Years**
  - **Initial Ordering Period is 7 Years**
  - **Excellent Contractor Performance Can Increase Contract Term Up to a Maximum of 15 Years**
  - **Can Be Reduced to 5 Years Due to Marginal or Poor Performance**





# Sacramento ALC

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## Depot Maintenance Workload Contract

- **Firm-Fixed Price, Requirements**
- **Total Contract Value: \$1.580B**
- **Contract Term 5 to 8 Years**
  - **Initial Ordering Period is 5 Years**
  - **Excellent Contractor Performance Can Increase Contract Term Up to a Maximum of 8 Years**
  - **No Term Reduction Provision for Marginal or Poor Performance**



# ASC Mission Training Center

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## **F-15 Multi-Stage Improvement Program Four-Ship Simulator Program and Aerial Combat Enhanced Simulation Center**

- **FAR Part 12 Commercial, IDIQ Contract**
- **Total Contract Value: \$574M**
- **Contract Term 5 to 15 Years**
  - **Initial Ordering Period is 7 Years**
  - **Excellent Contractor Performance Can Increase Contract Term Up to a Maximum of 15 Years**
  - **Can Be Reduced to 5 Years Due to Marginal or Poor Performance**



# HQ Air Intelligence Agency

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## Mobile Sensor Platforms Operations & Maintenance and Modernization

### Contract

- **Multiple Pricing Arrangement (FFP, CPFF, CR) Requirements Contract**
- **Estimated Contract Value: \$125M**
- **Contract Term 5 to 10 Years**
  - **Base Year Plus Four Option Years**
  - **Excellent Contractor Performance Can Earn Opportunity for up to Five Additional Option Years**



# Award Term Plan Development

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- **Develop Award Term Plan the Same as Award Fee Plan**
  - Define Grades to be Used, Categories of Performance, Evaluation Criteria, etc.
  - Include Award Term Plan in Draft and Final RFP
- **TDO:**
  - PEO or DAC for PEO/DAC Programs
  - Center Commander for Other Contracting Actions



# **SA-ALC Award Term Evaluation Process**

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- **Performance Monitors Submit Their Evaluations to ATRB**
- **Contractor Submits Its Self-Assessment**
- **ATRB Scores Each Evaluation Area on a -/+100 Point Scale**
- **Weighted Average Score Is Calculated**
- **ATRB Recommends Award Points to TDO**
- **TDO Determines Earned-Award-Term Points and Notifies Contractor**
- **PCO Issues Contract Modification**



# SA-ALC Award Term Evaluation Process

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## RATING

**Unsatisfactory  
-100**

**Satisfactory**

**Excellent  
to +100**

## SCORE

**-1 to**

**0 to + 70**

**+71**



# SA-ALC Evaluation Criteria Weighting

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## EXAMPLE

<u>Criteria</u>	<u>(%)</u>
Schedule	30
Product Quality	30
Small Business	10
Affordability	30



# SA-ALC Evaluation Criteria Weighting

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## EXAMPLE

### Weighted

<u>Criteria</u>	<u>Score</u>	<u>Weight</u>	<u>Score</u>
Schedule	98	30%	29
Product Quality	70	30%	21
Small Business	60	10%	6
Affordability	57	30%	17
<b>TOTAL SCORE</b>	<b>73</b>		

**ATRB Recommends 73 Award Points**  
**TDO Awards 75 Points**





# Implementation Challenges

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- **Understanding Market and Acquisition Situation for Application**
  - Communication with Industry
  - Contract Length
  - Terminations
  - Other Business Aspects
- **Determining Fair and Reasonable Price**
- **Application Across Contract Types' Spectrum**
- **Training**



# Draft AFFARS Language

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- **Incentive Term Extension: Rewards Above Average Performance with Long-Term Relationship**
- **Two Types**
  - **Award Term**
  - **Incentive Option**



# Draft AFFARS Language

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## AWARD TERM

- **Draft Language is similar to FAR 16 Award Fee Language**
- **Contract Term Extended or Reduced Based on Periodic Gov't Evaluation**
- **Evaluation**
  - Award Term Plan
  - Award Term Review Board
  - Term Determining Official
- **Contract Specifies**
  - Initial Contract Term
  - Maximum/Minimum Performance Period
  - Total Price for Maximum Performance Period



# Draft AFFARS Language

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## INCENTIVE OPTION

- **Above Average Contractor Performance Earns Eligibility for Additional Option Years**
- **Contractor Performance is Measured Using CPARS Data**
- **Exercise of Additional Option Years Subject to Criteria in FAR 17.207**



# Draft AFFARS Language

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- **AFMC FAR Case 2000-03, AFFARS 5317, Incentive Term Extension**
- **Available at:**
  - [www.afmc-mil.wpafb.af.mil/HQ-AFMC/PK/pkp/farsec/farcase.htm](http://www.afmc-mil.wpafb.af.mil/HQ-AFMC/PK/pkp/farsec/farcase.htm)



# Summary

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- **PK Perspective on**
  - **Benefits of Long-Term Contractual Relationship**
  - **Our Experiences**
  - **Challenges**
  - **AFFARS Language**
- **New Tool for the Acquisition Toolbox**